



For Immediate Release

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**Senator Judd Gregg's Floor Remarks on
The Higher Education Reconciliation Conference Report
September 7, 2007
(Unofficial Transcript)**

The bill before us today from a policy standpoint does some things which are extremely positive. It adjusts, I think appropriately, the costs of the amount of subsidy that's going into the system relative to higher education loans and takes savings from that subsidy, which was going to lenders, and moves it over to assist people who need assistance, especially under the Pell Grant program. So it is, from a policy standpoint, moving in the right direction in many ways.

And in addition, as the Senator from Wyoming has pointed out, there needs to be tied to this the Higher Education Reauthorization Act, which unfortunately is not in this bill and needs to be in this bill in order to complete the package. And that is critical to this whole undertaking of making sure that we get, or we significantly improve, our ability to support people who are going to college, making sure that the loans which these people get are properly disclosed and that the money doesn't end up, as we increase the Pell Grants, just being taken away by increasing tuitions which are tied to our Pell Grant increases. So there are good things about this bill. There's also a big part of this bill that's missing, which is the Higher Education Reauthorization Act. And certainly, the Senator from Wyoming made an eloquent statement on that.

What I wanted to talk about, however, was the fact that this bill comes to the floor in an inappropriate way using the wrong vehicle, and as a result, does serious harm to the budget process that we have here in the Congress. This bill comes under what's known as reconciliation. Reconciliation is a very unique vehicle which we have in the Senate, the purpose of which is to avoid filibusters and allow legislation to move, which is going to be used on the spending side of the ledger at least, to reduce entitlement spending.

Reconciliation was created out of the 1974 Budget Act, and it has been used over the years for the purposes of reducing entitlement spending. In fact, in 1990, it was used to reduce about \$480 billion in entitlement spending over a 10-year period; in 1993, about \$443 billion; in 1995, about \$337 billion; in 1997, about \$118 billion; and then in 2006, about \$36 billion.

Why do we use this mechanism? Well, every year we have two different types of spending in the federal government. We have discretionary spending, which means it occurs on an annual basis and is appropriated and it goes through the Appropriations Committee. That represents about one-third of the federal government spending. And then we have entitlement spending, which is spending that occurs where the federal government, as a result of laws, has an obligation to pay money to somebody. Agriculture programs are, for example, entitlement programs where if you plant a certain amount of fields or you don't plant a certain amount of fields, you have a right to a payment from the federal government under the law. Medicare is an entitlement program. We have a lot of education programs which are arguably entitlement programs and a lot that are discretionary programs.

But the problem is when you have an entitlement program, you can't adjust it annually through the appropriations process. The only way you can adjust it is by changing the law which affects that program to create savings or more spending. And so the Budget Act recognized this, and it also recognized it's extremely hard to do that in the context of the Senate because the Senate has the filibuster, where you can basically tie anything up here without 60 votes, and it also requires 60 votes to pass just about anything.

So this very unique and very powerful instrument was given to the budgeting process, called reconciliation, where there's a limited amount of time to debate a bill, in this case, 10 hours as a result of the conference report, no filibuster can apply, and it only takes 51 votes to pass the bill. But this whole concept of giving this very strong power to the Budget Committee and to the committees of jurisdiction was to allow us to reduce the rate of growth of entitlement spending in order to make the budget more manageable.

What has happened here, however, has been to reverse that, to actually do the exact opposite using reconciliation. With the representation that we're going to save -- I believe it is \$750 million, which is minuscule; remember that over the years we've been saving billions of dollars through reconciliation -- with the representation that we're going to save \$750 million, and we have a chart which reflects this here. These are the savings which we've received under reconciliation where we've used it in the past: \$842 billion, \$483 billion, up until 2006, this year, this reconciliation bill saves less than \$1 billion net.

So it's really not a savings vehicle at all. And, in fact, what it really does is it uses that \$93 billion savings to mask an almost \$22 billion spending event. It takes the reconciliation -- which as long as you get a net savings, you're allowed to use reconciliation -- and uses it to dramatically increase spending. In fact, the amount of new spending in this reconciliation bill exceeds the amount of savings by 2900%. In other words, the spending in this bill is 29 times larger than the savings in this bill, which totally undermines and makes a joke out of the budget process and reconciliation. And it's totally inappropriate to have done this, to use reconciliation in this manner.

It could be effectively argued that the proposals that have been brought forward under this bill would easily pass this Congress with 60 votes, with or without reconciliation, but by using reconciliation, they allow themselves to, for all intents and purposes, eliminate

all amendments of any significance and they have this 51-vote rule and as a result of spending, 2,900 times more than they save. They essentially make a mockery of the budget process.

Not only do they make a mockery on the budget process on the issue of reconciliation, they make a mockery of the budget process in the manner in which they score the bill itself. This bill is set up so that the Pell Grants will increase, which is what the goal of the bill is, to \$5,400 per person, but the spending on Pell Grants also will increase rather dramatically over the next few years because we're taking subsidy which is now going to lenders and putting it into Pell spending, but in the year 2013, under this bill, we're going to go back to zero, essentially zero dollars being spent on Pell Grants. That's what this bill calls for. In 2013, \$0 essentially will be spent on Pell Grants. What a farce. I mean, really. In order for them to take advantage of reconciliation and the protection of reconciliation, they had to put in place a program which goes from 4.5 billion, almost \$5 billion in the year 2012 down to zero in 2013. Talk about truth in budgeting or integrity in budgeting! How can anybody vote for this who believes that we should have an honest budget around here? And claim that they are being honest? There's \$9 billion of Pell Grants, which one could realistically argue over the next ten years is going to have to be spent, which isn't accounted for. It's just sort of, well, it will appear from the sky, I guess. Not only is that not enough -- you know, you'd think that would be enough, that basically the proposal makes a mockery of the reconciliation process and the budget, makes a mockery of the baseline by going back to zero spending in 2013.

But then we get to Pay-Go. Pay-Go, the sacred cow of fiscal discipline we hear so much about from the other side of the aisle. "We're going to stand by Pay-Go to discipline the federal government's spending." We heard that incessantly in the last Congress from the other side of the aisle. We heard it incessantly from people who were running for office from the other side of the aisle. But it's become Swiss-Cheese-Go as bill after bill after bill has come to the floor which has waived Pay-Go when it comes to spending. What a surprise. The Democratic majority waives Pay-Go when they want to spend money, but then claims that they're using Pay-Go to discipline the federal government. Well, it's happened time and time again, the most recent egregious event prior to this event was SCHIP, where they added \$41 billion in new spending, waiving Pay-Go.

Now, in this event, this \$9 billion down here that was a Pay-Go violation has now grown to be about \$20 billion under this bill. So this little hole here in the Swiss cheese should be a great big hole in the Swiss cheese. I mean, anyone who comes to this floor and claims that they're using Pay-Go to discipline the federal budget at any time for the rest of this Congress will have to have a sanity test given to them, because they certainly can't defend that on the basis of any facts around here.

So, the problem with this bill isn't the policy. In fact, quite honestly, I would have probably used a more aggressive policy. I would have been able to auction these accounts to get to the real numbers of what the subsidy is. We might have saved a lot more money and put more money into Pell. The problem with this is that this bill, and the manner in which it's brought to the floor, basically puts a stake through the heart of the budget

process. It takes reconciliation, which is really the most significant tool of the budget process, and makes a joke out of it by using it to increase spending 2,900 times more than it creates savings. It takes the baseline and makes a joke out of it by reducing Pell Grants in 2013 to zero spending when we know we're going to be spending \$5 billion to \$5.5 billion on Pell Grants in 2013. And it takes Pay-Go, which is alleged to be a disciplining mechanism around here, waives it and then spends \$22 billion it would have been subject to.

So my point is obviously one of frustration, as former Budget Committee chairman, I'd like to see us have a budget around here that meant something. But if we're going to pass a budget -- and we didn't pass a budget; this Democratic Party passed the budget. I congratulate them for that. I didn't agree with the budget, but at least they passed it. But if they're going to pass a budget, they ought to have a purpose for it. Its purpose shouldn't be to expand spending, to make a joke of the baseline and to basically put holes in the Pay-Go mechanism, which they claim is the essence of their fiscal discipline. From a public policy standpoint, the bill may have good policy in it. But from a standpoint of managing the fiscal house of this country, it is doing fundamental harm to the budget process.

At this point I yield the floor.